FREEDOM FINANCIAL EDUCATION SERIES

SESSION 4

Protect What You're Building

Emergency Reserves, Insurance & Risk Management

STUDENT WORKBOOK
S4-WB-01 • Version 1.0

Participant name (optional)

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Session date

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SESSION PROMISE

By the end of this session, you will understand how emergency savings and appropriate protection work together, identify your most important unknown and choose one action to protect your progress.

Welcome to Session 4

You have already begun building a stronger financial foundation by learning how money works, directing your cash flow and working to eliminate debt through debt stacking. This session adds the next layer: protecting that progress from events that could interrupt income, damage property, create liability or force new debt.

THIS IS AN EDUCATION WORKBOOK

It does not recommend a specific policy, company, coverage amount, legal strategy or tax result. Use your actual plan and policy documents and consult the appropriate qualified professional for personal decisions.

Your privacy matters

- Do not write policy numbers, passwords, medical details or account values in this workbook.
- You decide what—if anything—you share during discussion.
- Keep completed inventories and sensitive documents secure at home.
- Marking an item “Unknown” is useful progress. It tells you what to verify next.

Today’s three outcomes

- ☐ Understand the protection system.
- ☐ Find your most important unknown.
- ☐ Choose one next action.

The Freedom journey

Step	Purpose	Status
1. Understand	Learn how money really works.	Completed / continuing
2. Direct	Give cash flow a purpose.	Completed / continuing
3. Eliminate	Use debt stacking to remove debt.	In progress
4. Protect	Build shock absorbers around the plan.	Today

1. What Could Knock the Plan Off Course?

Privately circle or check one event that could interrupt your household's plan. Add another if needed.

- ☐ Loss or reduction of income
- ☐ Medical event
- ☐ Home or vehicle loss
- ☐ Claim or lawsuit
- ☐ Family emergency or caregiving change
- ☐ Another disruption: ______________________________

Why could this event disrupt the budget or debt-stacking plan?

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THE DEBT CHAIN REACTION

Unexpected cost → no cash cushion → credit fills the gap → debt plan moves backward

Two questions change the conversation

- ☐ Could our household absorb this loss without endangering essentials or long-term goals?
- ☐ If not, how should we prepare, reduce the risk or transfer part of the financial loss?

My first thought

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2. Protection Is a System

Part of the system	What it does	My example
PREPARE	Use accessible cash for manageable shocks.	________________
REDUCE	Lower the chance or impact of a loss.	________________
TRANSFER	Share potentially unaffordable financial loss.	________________
ORGANIZE	Make contacts, beneficiaries and documents usable.	________________

CORE IDEA

Protection is a system—not a product. Strong protection coordinates cash, prevention, insurance and information.

3. Four Ways to Respond to Risk

Response	Plain-language meaning	Example
RETAIN	Accept the risk and be ready to pay for it.	A deductible funded by savings.
REDUCE	Lower the likelihood or financial impact.	Smoke alarms, maintenance or safe habits.
TRANSFER	Shift part of a major financial loss through a contract.	Appropriate insurance coverage.
AVOID	Choose not to take a particular risk.	Declining an unaffordable obligation.

Quick practice

Scenario	Retain	Reduce	Transfer	Avoid
Build cash for a deductible	☐	☐	☐	☐
Install smoke alarms	☐	☐	☐	☐
Insure the home	☐	☐	☐	☐
Skip an unaffordable purchase	☐	☐	☐	☐

Where might more than one response work together?

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MATCH THE TOOL TO THE RISK

Smaller, manageable shocks → cash reserves. Large, potentially unaffordable losses → insurance. Prevention and organization support both.

4. Emergency Savings: The First Line of Defense

Emergency savings can help you...

- ☐ Protect the debt-stacking plan.
- ☐ Cover urgent, necessary surprises.
- ☐ Buy time during an income interruption.
- ☐ Make decisions with less pressure.

Emergency, sinking fund or monthly budget?

Category	Use	My example
Emergency reserve	Urgent + necessary + unexpected	____________________
Sinking fund	Expected cost with an estimated date	____________________
Monthly budget	Normal recurring expense	____________________

Practice

Expense	Category
Annual vehicle registration	____________________
Routine holiday spending	____________________
Unexpected urgent travel	____________________
Monthly groceries	____________________
Known insurance premium due quarterly	____________________

5. My Emergency Reserve Ladder

There is no single dollar amount that fits every household. Build in stages and tailor the fuller target to your circumstances.

Stage	Meaning	My status
1. STARTER CUSHION	A practical first foothold against smaller shocks. If you have no reserve, $500 is a useful first goal—not the finish line.	☐ Here now ☐ Next
2. NEXT MILESTONE	Enough to cover a larger bill, deductible or common disruption.	☐ Here now ☐ Next
3. FULLER RESERVE	A larger cushion tailored to household income and risks.	☐ Here now ☐ Next
4. REPLENISH	Rebuild the reserve after it serves its purpose.	☐ Here now ☐ Next

My next reserve milestone

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How I could fund it

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Where it can remain safe, accessible and separate from everyday spending

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REMEMBER

Using emergency savings for a true emergency does not mean the plan failed. The reserve did its job. Replenishment becomes the next step.

6. What Shapes My Fuller Reserve Target?

Check the factors that may create a need for more flexibility in your household.

- ☐ Income varies or employment is uncertain.
- ☐ Only one household income source is available.
- ☐ Several people depend on the household income.
- ☐ Health needs or high deductibles could create larger cash demands.
- ☐ Home or vehicle age creates repair risk.
- ☐ Caregiving responsibilities could interrupt work.
- ☐ Reliable backup resources are limited.
- ☐ Other: ______________________________

What do these factors suggest about my next milestone?

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PLANNING PRINCIPLE

Rules of thumb may begin a conversation. Your household risks determine the plan.

7. Your Income Is an Asset

Income pays for today's needs and tomorrow's goals. For retirees, income may include Social Security, pensions, annuity income and portfolio distributions. Unpaid caregiving and household work also have financial value.

Who or what depends on this income or work?	What would need to continue?
______________	______________
______________	______________
______________	______________
______________	______________

8. What Protects the Paycheck?

Layer	Primary job	What I know / need to verify
Health coverage	Helps with eligible medical care costs.	______________________
Emergency cash	Buys time and absorbs immediate expenses.	______________________
Paid leave	May cover a short absence from work.	______________________
Disability coverage	May replace part of income for a qualifying disability.	______________________

IMPORTANT DISTINCTION

Health insurance helps with eligible medical costs. It does not replace a paycheck. Disability coverage definitions, waiting periods, benefit amounts and duration vary.

Five workplace-benefit questions

- ☐ How much income could be replaced?
- ☐ When would benefits begin?
- ☐ How long could benefits last?
- ☐ Who pays the premium, and how might that affect taxation?
- ☐ What happens if employment changes?

Where I will verify this information

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9. Life Insurance Begins with the Need

Life insurance is intended to help protect people from the financial effects of a death. The appropriate review begins with the people and obligations involved—not with a product name.

Question	My planning notes
Who depends on my income or unpaid work?	____
For what financial needs?	____
For approximately how long?	____
What reliable resources already exist?	____
What gap needs professional evaluation?	____

NEEDS-BASED FRAMEWORK

Financial needs – existing reliable resources = gap to evaluate. This is a planning framework, not a universal formula.

Coverage through work: verify the gaps

- ☐ Is the amount connected to the actual need?
- ☐ Does coverage continue if employment changes?
- ☐ Can the coverage or cost change?
- ☐ Are primary and contingent beneficiaries current?

10. Protect Property and Manage Liability

Protection category	Financial purpose	Question to verify
Homeowners / renters	Repair or replace covered property; may address temporary living costs and liability.	What is covered, limited or excluded?
Auto	Address covered vehicle damage, injury, property damage and liability.	What limits and deductibles apply?
Personal liability	Address certain covered claims for injury or damage attributed to you.	What protection and defense are included?
Umbrella	May add another liability layer over qualifying underlying policies.	What underlying limits, conditions and exclusions apply?

Replacement cost and deductibles

- ☐ Replacement-cost question: What would it cost to replace or rebuild today under the policy terms?
- ☐ Deductible question: What portion must the household absorb before applicable coverage responds?
- ☐ Coordination question: Could the emergency reserve absorb the deductible without creating new debt?

My property or liability question

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11. Five Questions for Every Policy Review

Use the actual policy—not only a name, card or summary—and ask an appropriately licensed professional when interpretation is needed.

- ☐ What loss is this meant to cover?
- ☐ How much protection is available?
- ☐ What must we pay first?
- ☐ What is excluded or limited?
- ☐ What life change should trigger a review?

Policy or benefit I want to review

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Questions I want to ask

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GOOD REVIEW LANGUAGE

“Please show me where the policy or plan document answers this question.”

12. Protection Gap Scan: How to Use It

Status	Meaning
KNOWN	I can locate the information and explain the basic purpose.
UNKNOWN	I need to locate a document or ask a question.
ACTION	I found a priority that deserves a next step.
N/A	This category does not currently apply to my household.

NO SCORE—NO JUDGMENT

The goal is not to check every “Known” box. The goal is to turn the most important unknown into a wise next action.

13. Protection Gap Scan — Cash and Income

Review item	Known	Unknown	Action	N/A
Emergency reserve stage and location	☐	☐	☐	☐
Next reserve milestone	☐	☐	☐	☐
Home or renters deductible	☐	☐	☐	☐
Auto deductible	☐	☐	☐	☐
Health-plan deductible / out-of-pocket information	☐	☐	☐	☐
Paid-leave benefits	☐	☐	☐	☐
Short-term disability benefits	☐	☐	☐	☐
Long-term disability benefits	☐	☐	☐	☐
Income sources during an interruption	☐	☐	☐	☐
Employer or benefits contact	☐	☐	☐	☐

My most important cash or income unknown

14. Protection Gap Scan — People, Property and Liability

Review item	Known	Unknown	Action	N/A
Health coverage information	☐	☐	☐	☐
Life-insurance purpose and current coverage	☐	☐	☐	☐
People who depend on income or unpaid work	☐	☐	☐	☐
Workplace life-insurance portability	☐	☐	☐	☐
Homeowners, renters or condominium policy	☐	☐	☐	☐
Property valuation method to verify	☐	☐	☐	☐
Auto coverage and limits	☐	☐	☐	☐
Personal-liability coverage	☐	☐	☐	☐
Umbrella-coverage question	☐	☐	☐	☐
Important exclusions or limitations	☐	☐	☐	☐

My most important people, property or liability unknown

15. Protection Gap Scan — Beneficiaries and Information

Review item	Known	Unknown	Action	N/A
Primary beneficiaries verified directly	☐	☐	☐	☐
Contingent beneficiaries verified directly	☐	☐	☐	☐
Emergency contacts current	☐	☐	☐	☐
Policy and benefits summaries located	☐	☐	☐	☐
Secure document location established	☐	☐	☐	☐
Trusted person knows how to access needed information	☐	☐	☐	☐
Review date on calendar	☐	☐	☐	☐
Review completed after major life changes	☐	☐	☐	☐

BENEFICIARY REMINDER

Do not assume a will automatically controls assets or benefits with beneficiary designations. Verify designations directly with each plan, account or policy provider and obtain legal guidance when needed.

My most important beneficiary or information unknown

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16. My Protection Priority Commitment

Choose one action that is specific and small enough to complete before Session 5.

Helpful action verbs

LOCATE	VERIFY	UPDATE	ASK	BUILD
Find the document.	Confirm the facts.	Correct the information.	Contact the right person.	Fund the next milestone.

My one protection action

Who owns this action?

Completion date

How I will know it is complete

☐ I placed the action or appointment on my calendar.

PROGRESS OVER PERFECTION

You do not have to prepare for everything today. Take the next wise step.

17. Homework — Household Protection Inventory

Complete this privately at home using current plan and policy documents. Do not bring policy numbers, passwords, medical records or account values to class.

Coverage / benefit	Provider or contact	Person / property	General amount or limit	Deductible / wait	Review date
Emergency reserve					
Health coverage					
Short-term disability					
Long-term disability					
Life insurance — personal					
Life insurance — workplace					
Home / renters / condo					
Auto					
Liability / umbrella					
Other: __________					

Secure location of complete documents (do not list passwords)

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18. Homework — Verification Checklist

- ☐ I located the summary or declarations information for coverage that applies to my household.
- ☐ I recorded planning-level details in the Household Protection Inventory.
- ☐ I verified primary beneficiaries directly where applicable.
- ☐ I verified contingent beneficiaries directly where applicable.
- ☐ I confirmed emergency contacts.
- ☐ I identified at least one question for the appropriate professional.
- ☐ I completed—or scheduled—the protection action selected in class.
- ☐ A trusted person knows where essential information is stored, without exposing passwords in this workbook.

My unanswered question

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Who should I ask?

Question type	Possible appropriate resource
Workplace benefits or plan document	Employer, HR or benefits administrator
Policy terms or coverage options	Appropriately licensed insurance professional
Will, trust, ownership or legal coordination	Attorney
Tax treatment	Qualified tax professional
Overall financial-plan coordination	Financial professional acting within appropriate scope

19. Key Terms — Quick Reference

Term	Plain-language meaning
Actual cash value	A valuation method that generally considers depreciation; actual policy language controls.
Beneficiary	Person or entity designated to receive a covered benefit or asset.
Contingent beneficiary	Backup beneficiary if the primary beneficiary cannot receive the benefit.
Deductible	Amount or portion the insured must absorb under policy terms before applicable coverage responds.
Disability coverage	Coverage that may replace part of income when a person meets the contract's definition of disability.
Emergency reserve	Accessible cash set aside for urgent, necessary and unexpected needs or income disruption.
Exclusion	A circumstance, cause or type of loss the contract does not cover.
Liability coverage	Coverage for certain claims involving injury or property damage attributed to the insured, subject to terms.
Policy limit	Maximum amount available for a covered loss or category under the contract.
Portability	Ability or option to continue coverage when employment or group eligibility changes, subject to terms.
Replacement cost	A valuation concept based on repair or replacement under policy terms, generally without the same depreciation approach as actual cash value.
Sinking fund	Money accumulated over time for a known or expected future expense.
Umbrella coverage	A liability policy that may provide an additional layer above qualifying underlying policies, subject to conditions and exclusions.
Waiting / elimination period	Time that generally must pass before qualifying disability benefits begin.

CONTRACT REMINDER

Definitions vary. The actual policy or plan document—not this glossary—controls individual coverage.

20. Session 4 Review

Complete the statements

1. Cash reserves are generally used for:

2. Insurance is generally used to:

3. The four risk responses are:

4. One workplace-benefit detail I need to verify is:

5. My protection action is:

Three truths to take with you

- ☐ Cash absorbs manageable shocks.
- ☐ Insurance transfers potentially unaffordable losses.
- ☐ Organization helps the plan work when needed.

21. Personal Notes

CLOSING THOUGHT

Protecting your progress is not about fear. It is about creating options for your household when life does not follow the plan.

Educational Notice

This workbook provides general financial education. It is not individualized insurance, investment, tax or legal advice and does not replace actual plan or policy documents. Coverage, definitions, exclusions, limits, taxation and eligibility vary. Consult appropriately qualified professionals and the complete governing documents before acting on personal circumstances.